incontext

INDIANA'S WORKFORCE AND ECONOMY

FEBRUARY 2008

## inside



# Workers Needed: Please Apply by 2025

## The Changing 25-to-54 Age Group

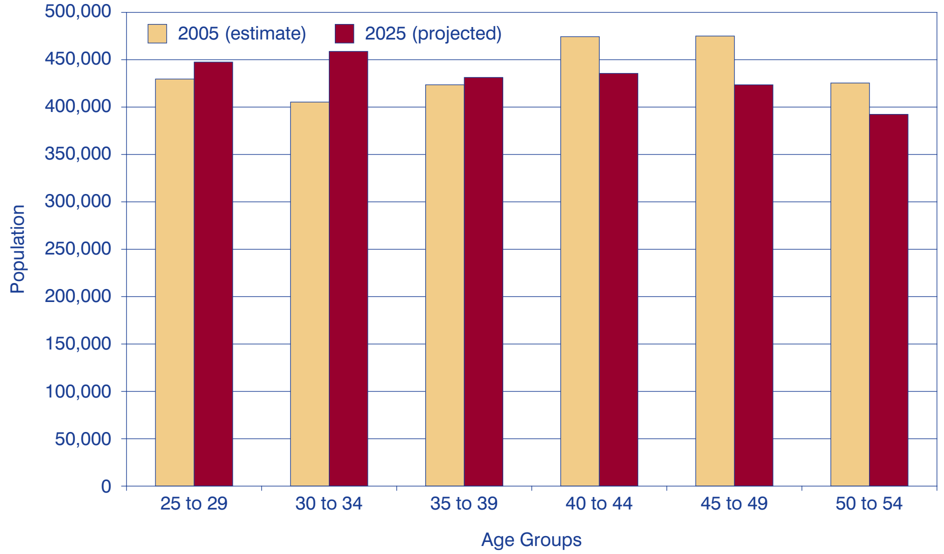
People between the ages of 25 and 54 are in their prime earning years and serve as an important labor force demographic—a demographic that is expected to change as the baby boomers age. Using the recently released population projections from the Indiana Business Research Center,[1] we'll look more closely at how this key component of the workforce is expected to either grow or decline between 2005 and 2025 within Indiana's counties.

Currently, the largest segment of Indiana's 25-to-54 demographic consists of 45- to 49-year-olds. However, by 2025, today's teenagers (age 13 to 17 in 2008) will be between 30 and 34 years old and will make up the largest portion of the 25-to-54 age group (see **Figure 1**).

Indiana is projected to have 2.6 million people age 25 to 54 by the year 2025—a 1.7 percent decline from 2005 levels. This is actually a rather modest decline given what we know about the aging baby boomers. But this change varies dramatically depending where in Indiana one looks.

**Figure 2** illustrates county-level change between 2005 and 2025 in the number of 25- to 54-year-olds. Seven counties will see this age group increase 10 percent or more. Hamilton and Hendricks counties will experience the largest rate of change, with increases of 49 percent and 37 percent, respectively.

**FIGURE 1: INDIANA POPULATION BY SELECTED AGE GROUP, 2005 AND 2025**




Source: Indiana Business Research Center

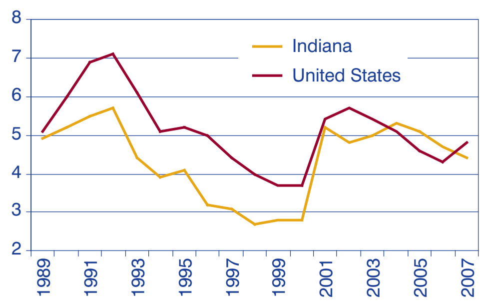
### Upcoming Conference: Building Indiana's Competitive Edge in the Global Economy

Indiana University's Kelley School of Business will host the 62nd annual business conference, titled "Building Indiana's Competitive Edge in the Global Economy: Strategies that Work," on Wednesday, March 5 at the Indiana Convention Center in Indianapolis.

Space is limited, and registrations must be received by February 19. Among the speakers for this event will be Governor Mitch Daniels and IU President Michael McRobbie. Learn more about the event and how to register at kelley.iu.edu/busconf.

### December Unemployment

Indiana's December 2007 unemployment rate (4.4 percent) fell below the U.S. rate for the first time since 2003. The nation's rate jumped 0.5 percentage points from 2006 to 2007, up to 4.8 percent.




*not seasonally adjusted

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Indiana Business Research Center

*A State & University Partnership for Economic Development*

Indiana Department of Workforce Development &
Indiana Business Research Center, IU Kelley School of Business

INDIANA WORKFORCE DEVELOPMENT

Most of the state, however, will not be as fortunate. Thirty-two counties (predominately rural in nature) will see their population between 25 and 54 years old decline more than 10 percent between 2005 and 2025. Rush, Martin and Benton counties fare the worst on this measure, with projected declines exceeding 20 percent.

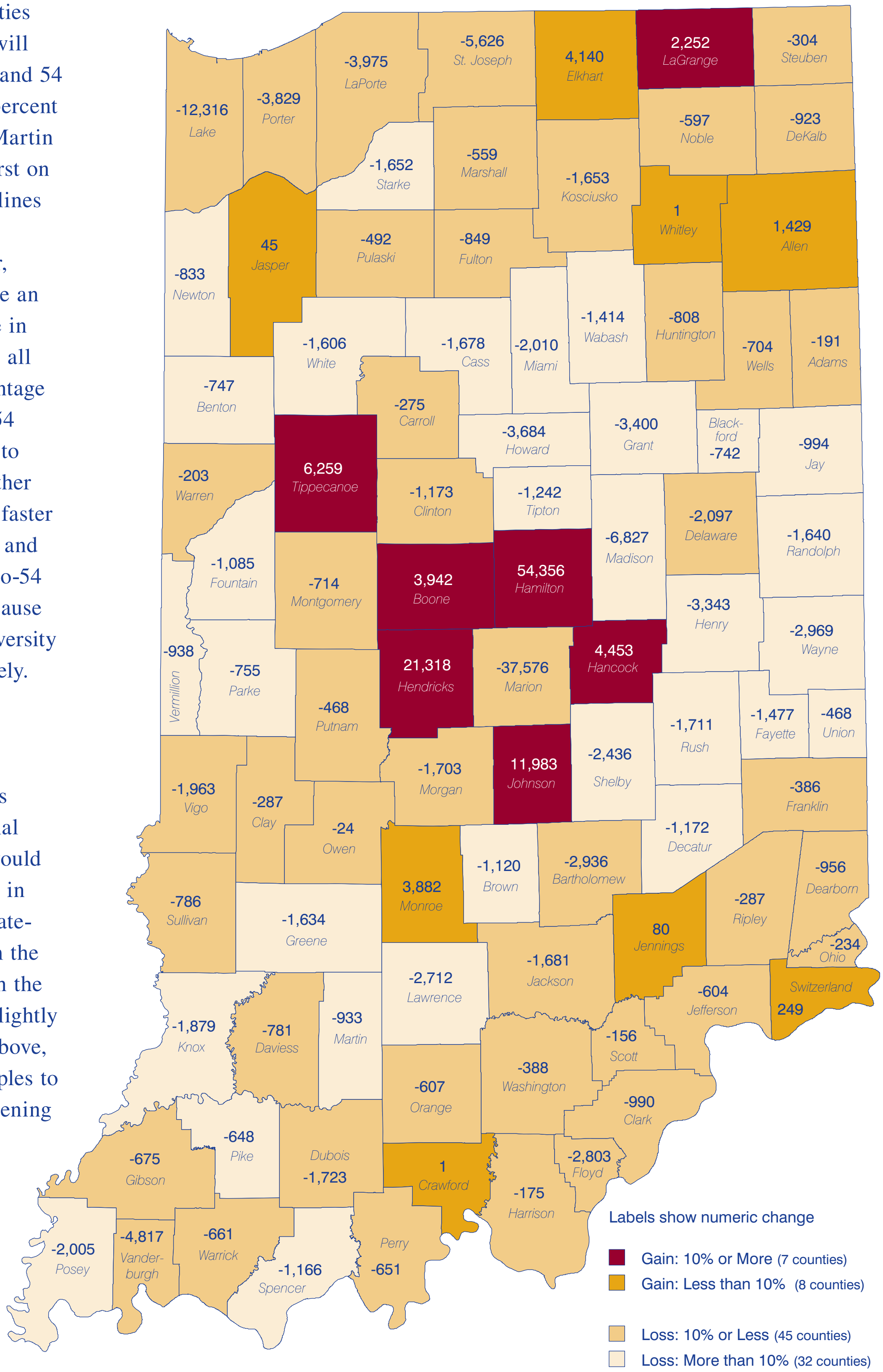
One should point out, however, that although 15 counties will see an increase in the number of people in the 25-to-54 age group, virtually all counties will have a lower percentage of their population in the 25-to-54 demographic by 2025 compared to 2005. This will occur because other age groups will grow at an even faster rate. The exceptions are Monroe and Tippecanoe counties, whose 25-to-54 age group will remain stable because of the influences of Indiana University and Purdue University, respectively.

## How Does Indiana Compare?

With the anticipated mass exodus of baby boomers from the national labor force in coming years, it would behoove us to put these numbers in context. To do so, we will use state-level population projections from the U.S. Census Bureau; even though the time frame and projections are slightly different than those referenced above, this will allow us to compare apples to apples as we look at what's happening in other states.

Based on Census 2000, the Census Bureau projects Indiana will have 2,535,146 people in the 25-to-54 demographic by 2025—a 2.8 percent decline from 2000 levels. That rate of change places Indiana in the middle of the pack nationwide (see **Figure 3**). Twenty-four states had

**FIGURE 2: Change in Population Age 25 to 54, 2005 to 2025**




Source: Indiana Business Research Center declines higher than Indiana's, with seven states declining more than 10 percent.

> *"The sheer amount of overall growth experienced in the West means that even these states will have a lower percentage of their population in the 25-to-54 demographic by 2025 compared to 2000."*

On the other hand, 27 states exceeded Indiana on this measure—led by Nevada (55 percent) and Arizona (49 percent), with significant increases in the important 25-to-54 population. Just as was pointed out in the Indiana county-level analysis, the sheer amount of overall growth experienced in the West means that even these states will have a lower percentage of their population in the 25-to demographic by 2025 compared to 2000.

## A Stark Picture for All States, Not Just Indiana

The 25-to-54 age group accounted for 43 percent of Indiana's total population in 2000. By the year 2025, it is projected to shrink to 38 percent—a five percentage point decline. Meanwhile, Nevada is expected to shift from 45 percent in 2000 to just 36 percent in 2025—a decline of 9 percentage points.

In fact, even though 21 states will see an increase in the number of people age 25 to 54, all states will see a decline in that demographic as a percent of the total population. These declines will range from 2 percentage points in Utah to 9 percentage points in Hawaii, Nevada, New Mexico, Alaska and Florida.

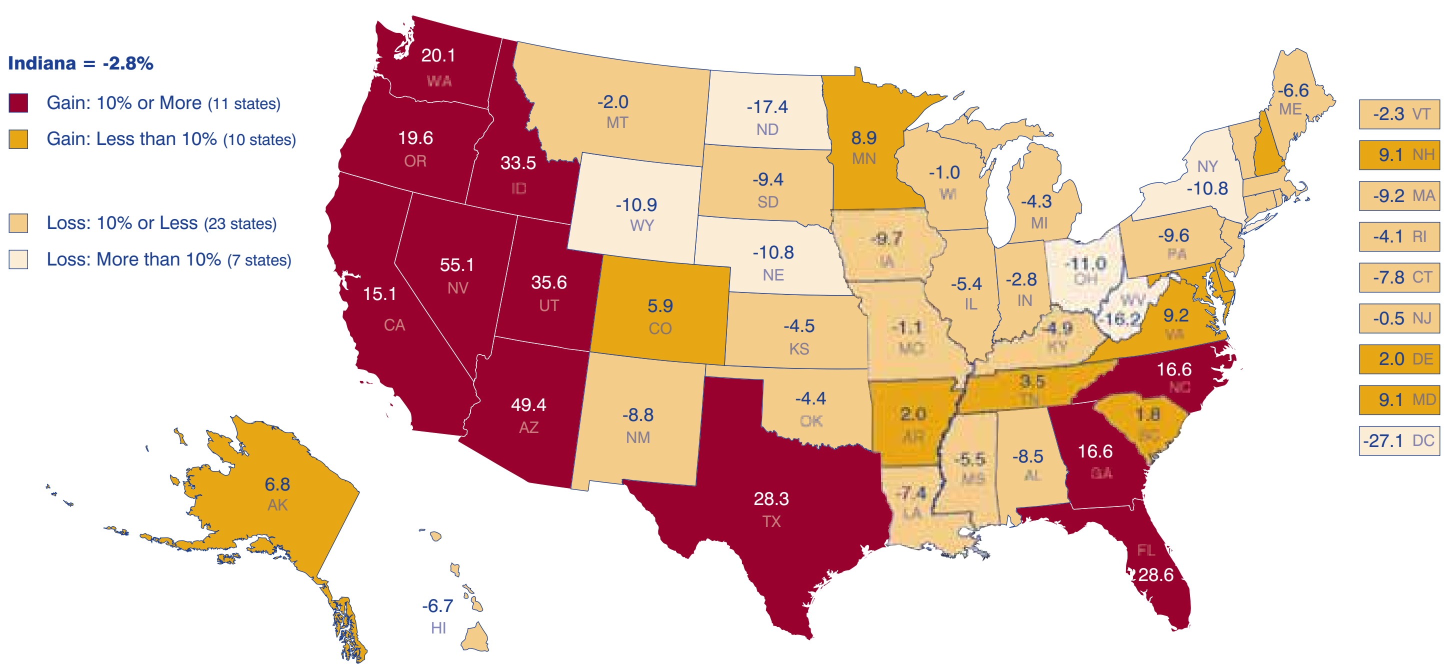
Of course, this could all change within the next twenty years if the rate of immigration of young people increases. Remember that these projections are based on past and current trends. But as America ages, we expect to see the nature of work change and the length of time workers stay working increase.

## Note

1. Indiana's official population projections were released in December 2007 and use the U.S. Census Bureau's 2005 population estimates as the benchmark population figures. Access them online at www.stats.indiana.edu/topic/projections.asp.

*—Rachel Justis, Geodemographic Analyst, Indiana Business Research Center, Kelley School of Business, Indiana University*

**FIGURE 3: Percent Change in Population Age 25 to 54, 2000 to 2025**




Source: Indiana Business Research Center

# The Louisville Metro Story: Told by STATS Indiana

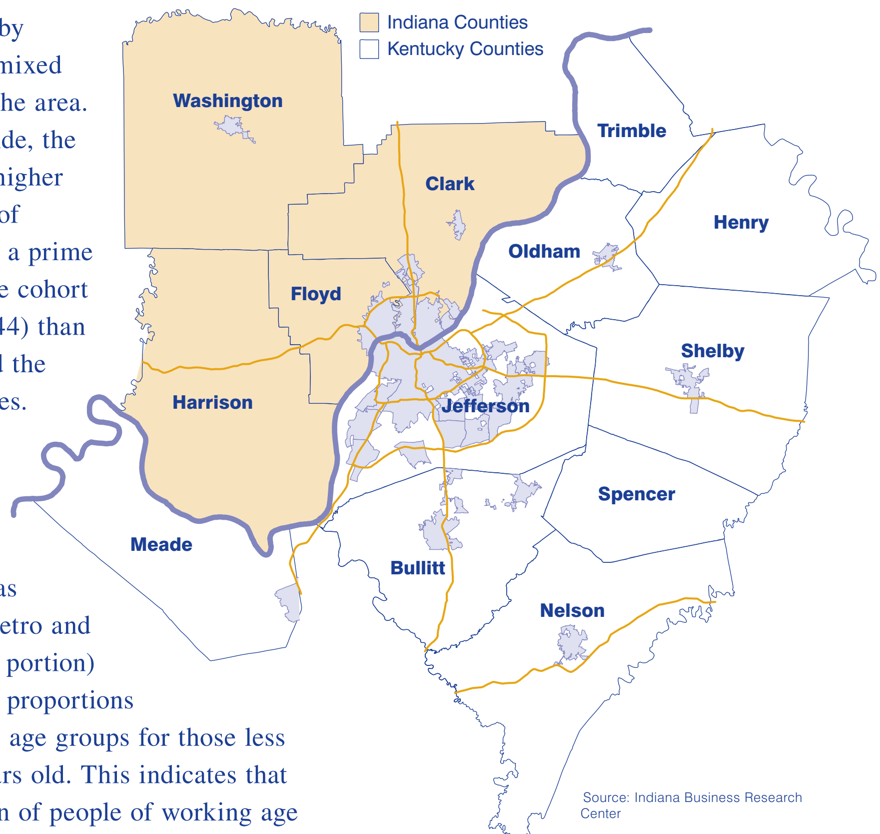
This article, the second in a series of 16 about Indiana's metro areas, will focus on the Louisville–Jefferson County metro. This metro spans counties in Indiana and Kentucky, so this article will include data on the full metro, as well as the Indiana portion of the metro for comparison purposes. All data used for this article are available via the USA Counties and Metros Side-by-Side feature on STATS Indiana (www.stats.indiana.edu).

## The Area

The 13 counties that make up the Louisville–Jefferson County metro had a population of 1.2 million in 2006. The city of Louisville is in Kentucky, but four Indiana counties are included in the metro (see **Figure 1**). These four counties comprised about one-fifth of the metro population, but more than one-third of the land area in the Louisville–Jefferson County metro. Since 1990, the Indiana portion of the metro has grown faster (17.2 percent growth in population) than the Louisville metro (15.7 percent) and Indiana overall (13.9 percent). However, this still lags the nation's 20.3 percent growth over that same time.

The breakdown of the metro's population by age shows mixed results for the area. On the upside, the area has a higher proportion of residents in a prime working-age cohort (age 25 to 44) than Indiana and the United States. However, **Figure 2** shows that the area (both as an entire metro and the Indiana portion) has smaller proportions in the three age groups for those less than 25 years old. This indicates that in-migration of people of working age in the years to come will be necessary to maintain those proportions.

**FIGURE 1: THE LOUISVILLE METRO**



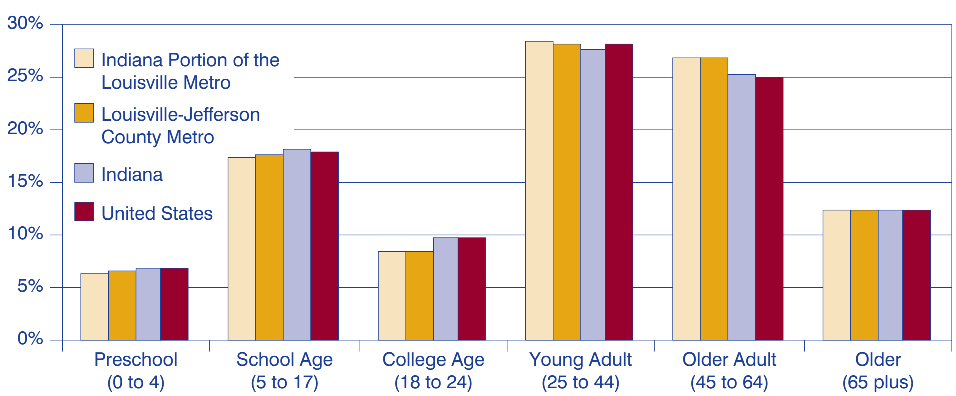

Source: Indiana Business Research Center

## Jobs & Wages

For the past 10 years (1996 to 2006), the Indiana portion of the Louisville metro has remained relatively stable as a percent of the metro's total jobs, maintaining between 15 and 15.9 percent of jobs in the area. Manufacturing is the top industry in the Indiana counties of the Louisville metro, the Louisville metro overall, and the state of Indiana. However, this industry comes in third at the national level, behind health care and social assistance and retail trade. Not surprisingly, manufacturing is most prevalent in Indiana (19.6 percent of all covered employment). Even the four counties of the Louisville metro within Indiana's boundaries are heavily weighted toward manufacturing (19 percent) compared to the metro overall, which had 13.2 percent of jobs in the manufacturing industry in 2006.

The accommodations and food services sector is one of the top three industries in Indiana's four Louisville metro counties (along with manufacturing and retail trade).

**FIGURE 2: PERCENT OF POPULATION BY AGE, 2006**

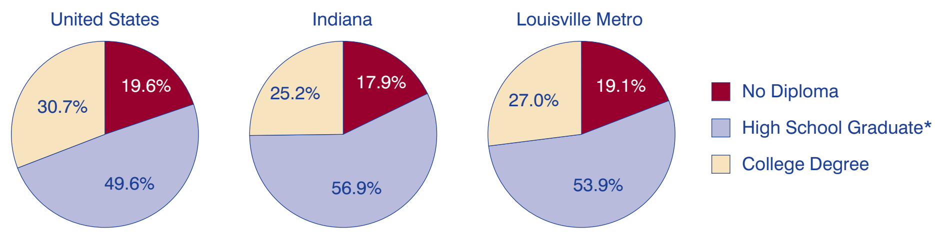



Source: STATS Indiana

This differs from the norm, where manufacturing, retail trade and health care and social assistance take any one of the top three spots. This could be part of the reason average annual wages are lower in the four Indiana metro counties ($31,578), since accommodation and food services is the lowest paying industry in the area (see **Figure 3**).

As a percent of the U.S. total, average annual wages in the Louisville metro held up fairly well. In 2006, the metro paid an average wage of $38,673, or 90.9 percent of the average U.S. wage paid across all industries. This is better than Indiana overall, which paid 85.9 percent of the U.S. average wage, and the Indiana portion of the Louisville metro, which paid only 74.2 percent of the U.S. average.

**FIGURE 4: Education in the United States, Indiana and the Louisville Metro, 2000**




*Includes those with a high school diploma or equivalent and those with some college but no degree
Source: STATS Indiana

## Education

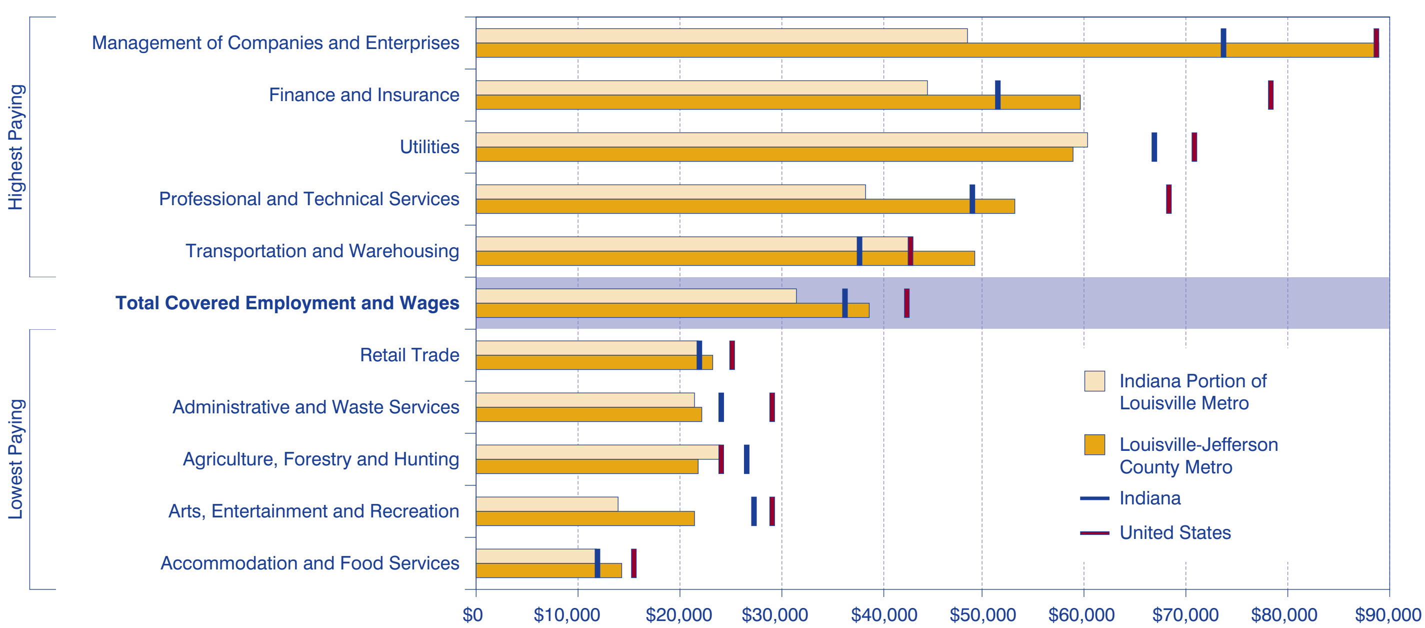
With the increasing importance of a highly skilled workforce, let's look at the educational attainment levels of residents in the Louisville metro compared to Indiana and the nation. In the metro, 27 percent of the population 25 and older had an associate's degree or higher. Compare this to 25.2 percent for Indiana and 30.7 percent for the United States in 2000. Indiana may be doing best though when looking at the overall picture. Only 17.9 percent of the adult population age 25 or older in Indiana did not graduate high school (see **Figure 4**).

## Conclusion

The four Indiana counties of the Louisville metro play an important role in the metro economy. We find evidence of this both by the increasing population and by looking at the commuting data, which show that 52.8 percent of workers living in the Indiana portion of the metro commute, compared to 27.8 percent of workers living in the metro overall. What does this mean? While the Indiana portion of the Louisville metro may appear to be struggling in terms of its industrial composition, the overall picture shows that an increasing number of people are choosing to live in Indiana while working in Louisville, benefiting the overall metro economy.

*—Molly Manns, Associate Editor, Indiana Business Research Center, Kelley School of Business, Indiana University*

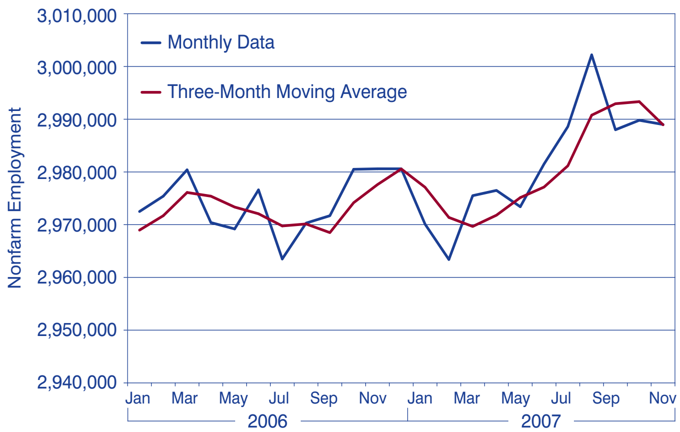
**FIGURE 3: Five Highest Paying and Five Lowest Paying Industries in the Louisville Metro, 2006**




Source: STATS Indiana

# Monthly Metrics: Indiana's Workforce Dashboard

### Total Nonfarm Employment in Indiana



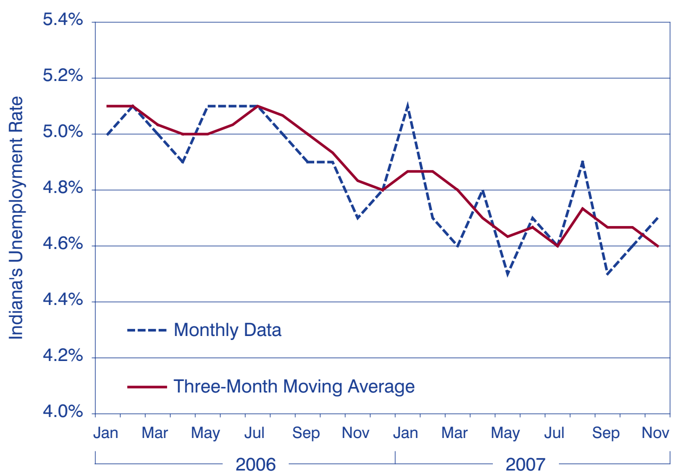

*seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics data

### Change in Employment by Industry Super-Sector, 2006 to 2007*

| Industry | Indiana: Change in Jobs | Indiana: Percent Change | United States: Percent Change |
|---|---|---|---|
| Total Nonfarm | 8,900 | 0.3 | 1.1 |
| Information | 600 | 1.5 | 0.9 |
| Natural Resources and Mining | 100 | 1.4 | 4.9 |
| Other Services | 1,300 | 1.2 | 0.7 |
| Leisure and Hospitality | 2,700 | 1.0 | 2.9 |
| Educational and Health Services | 3,500 | 0.9 | 3.1 |
| Professional and Business Services | 1,900 | 0.7 | 1.9 |
| Trade, Transportation and Utilities | 3,100 | 0.5 | 0.9 |
| Financial Activities | -100 | -0.1 | 0.0 |
| Government | -1,700 | -0.4 | 1.1 |
| Manufacturing | -5,300 | -0.9 | -1.4 |

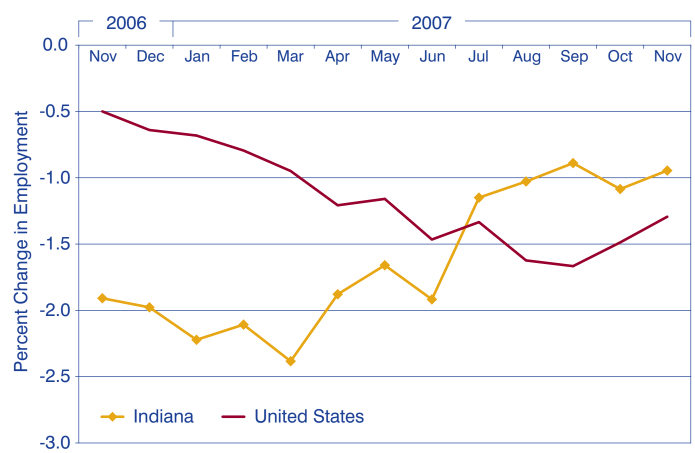
*November of each year, seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics data

### Indiana's Unemployment Rate



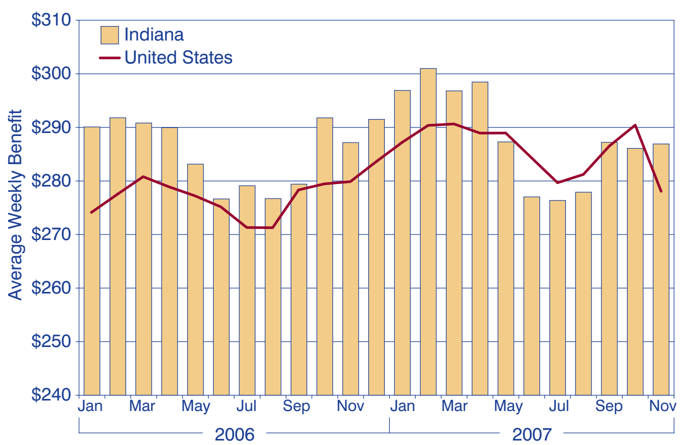

*seasonally adjusted
Source: Current Employment Statistics

### Over-the-Year Percent Change in Manufacturing Employment*



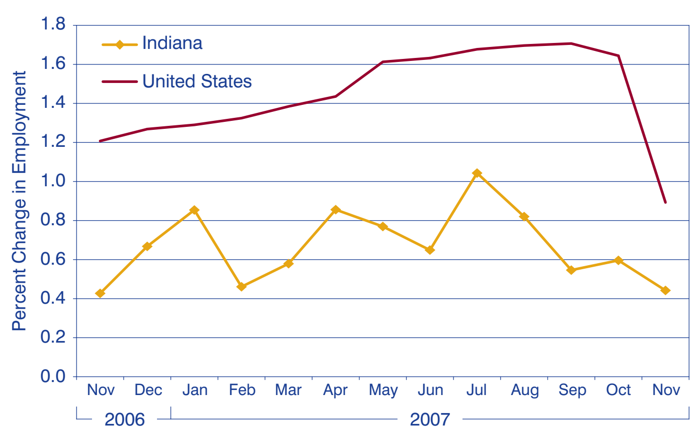

*seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics and Indiana Department of Workforce Development data

### Average Benefits Paid for Unemployment Insurance Claims



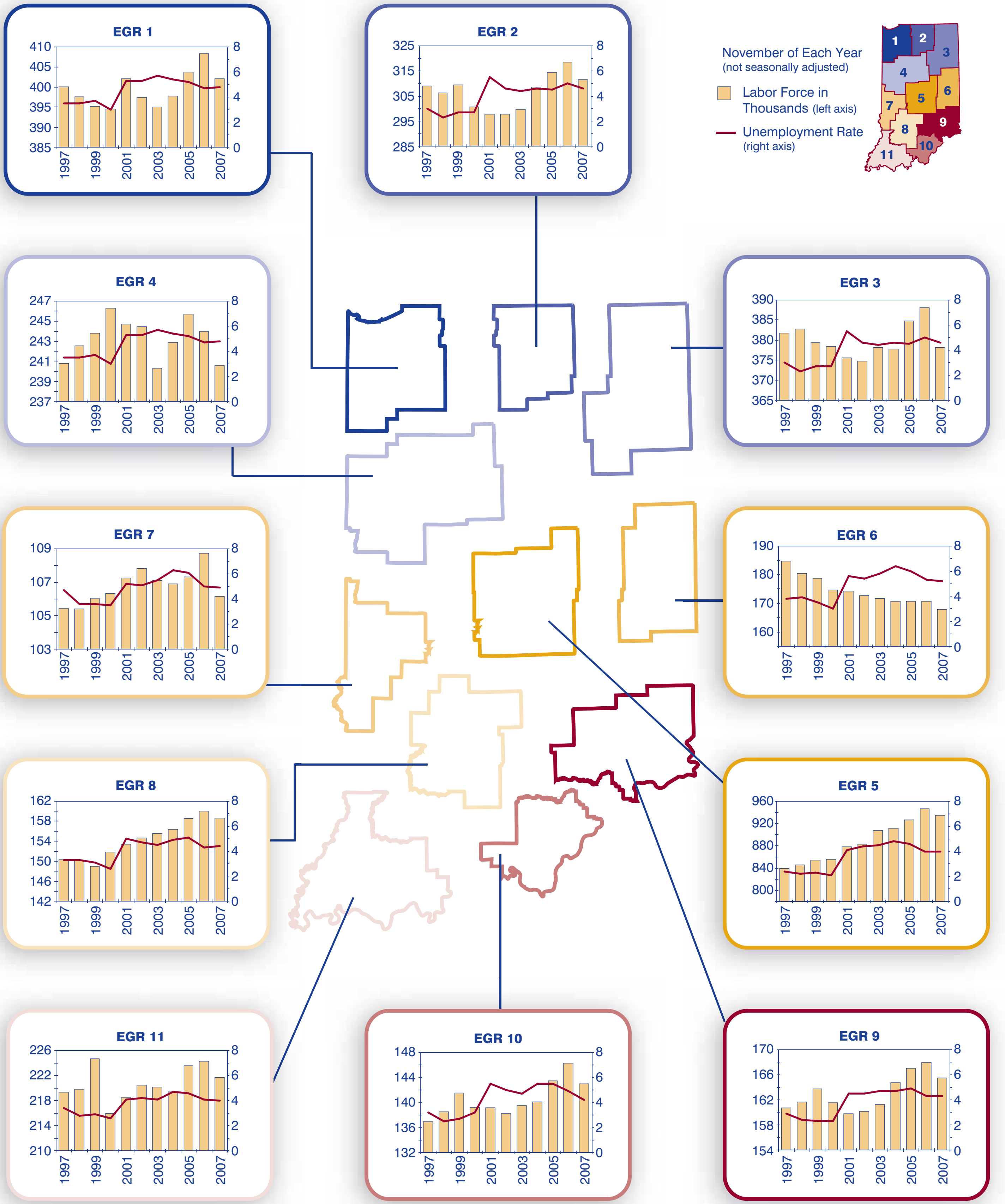

Source: IBRC, using U.S. Department of Labor data

### Over-the-Year Percent Change in Trade, Transportation and Utilities Employment*




*seasonally adjusted
Source: IBRC, using Bureau of Labor Statistics and Indiana Department of Workforce Development data

# Regional Labor Force and Unemployment Rates



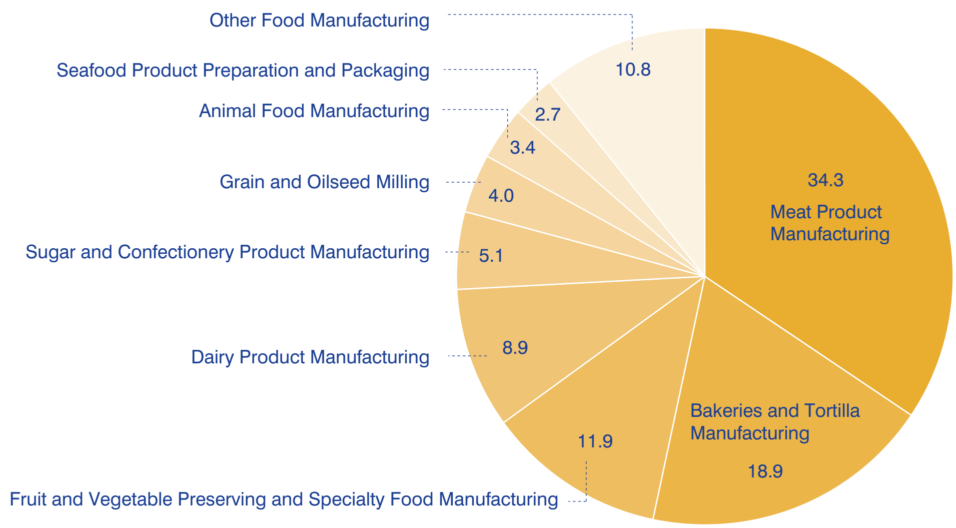
# Indiana's Edible Industry: Food Manufacturing

From Clabber Girl baking powder in Terre Haute to Red Gold tomato products in Orestes, Indiana has become well known for many brand names in the food industry. When visiting a local grocery store, the thought of where the food was made is often far from customers' minds, but the truth is that Indiana claims some big names in the food manufacturing subsector.

The U.S. Census Bureau provides the following description of what industries in the food manufacturing subsector do: "transform livestock and agricultural products into products for intermediate or final consumption." Typically, these food products are then sold to wholesalers or retailers to distribute to customers.

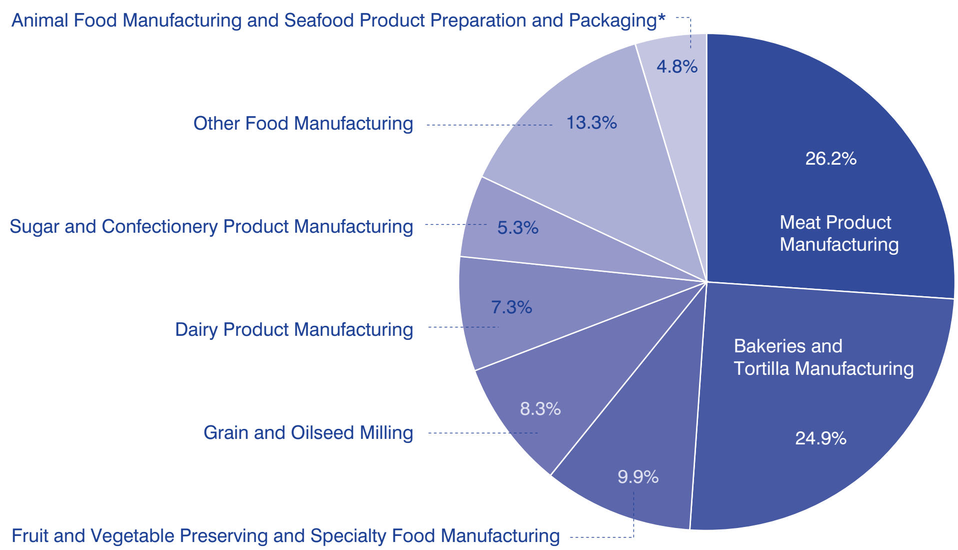
Nine industries fall into this manufacturing subsector: meat product manufacturing,[1] bakeries and tortilla manufacturing, fruit and vegetable preserving and specialty food manufacturing, dairy product manufacturing, sugar and confectionary product manufacturing, grain and oilseed milling, animal food manufacturing, seafood product preparation and packaging, and other food manufacturing.

**FIGURE 1: Percent Distribution of Food Manufacturing Employment in the United States**




Source: Indiana Department of Workforce Development, using Bureau of Labor Statistics data

**FIGURE 2: Percent Distribution of Food Manufacturing Employment in Indiana**




*Individual industry data for animal food manufacturing and seafood product preparation and packaging were not available. However, based on data from the other industry sectors, we know that, combined, these two industries make up 4.8 percent of Indiana's food manufacturing employment.
Source: Indiana Department of Workforce Development, using Bureau of Labor Statistics data

## United States

In 2006, the food manufacturing industry supplied about 1.5 million jobs nationwide. The majority of the establishments in this industry (89 percent) employed fewer than 100 workers. That said, establishments employing at least 500 workers provided 36 percent of all jobs.[2]

About 34 percent of food manufacturing jobs nationwide are in the meat product manufacturing industry and another 19 percent are employed in the bakeries and tortilla manufacturing industry (see **Figure 1**). While these two industries employed the most workers, they were among the lowest-paid industries in the food manufacturing subsector.

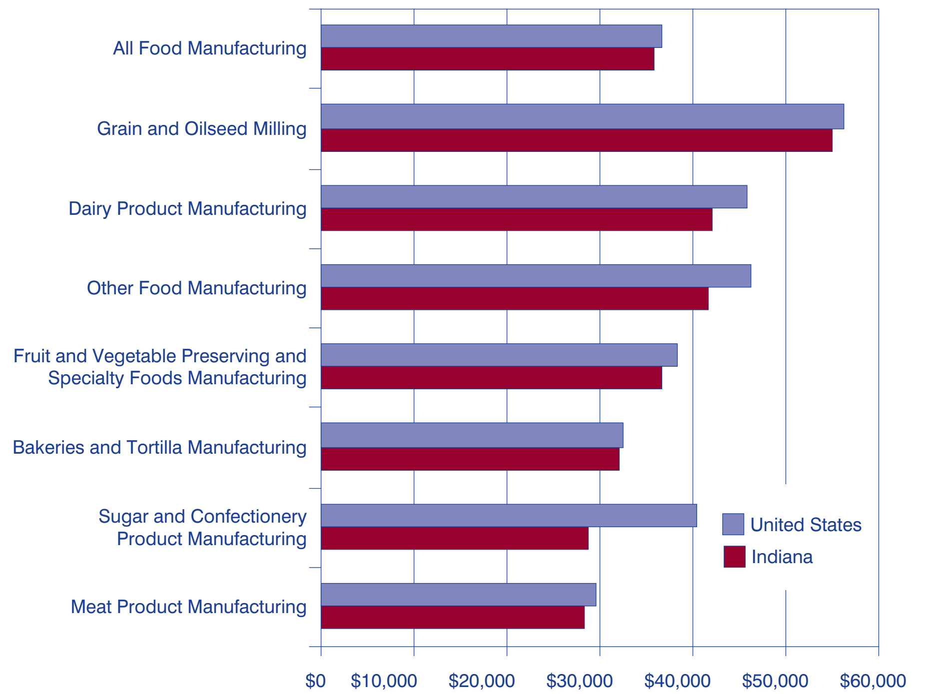
## Indiana

According to the 2006 annual average Quarterly Census of Employment and Wages (QCEW) data, Indiana's food processing industry consisted of 487 establishments employing about 32,000 people with an average weekly wage of $688. This represents 5.7 percent of Indiana's manufacturing employment in 2006 and 1.3 percent of the state's total private employment.

**Figure 2** shows that the top two industries made up more than half of all employment in Indiana's food manufacturing subsector. Similar to the nationwide numbers, the meat product manufacturing industry employed the most workers in this subsector (26 percent). The bakeries and tortilla manufacturing industry contributed 25 percent of the state's food manufacturing jobs.

Mirroring the U.S. pattern, the top two industries in the food manufacturing subsector pay among the least. Meat product manufacturing paid the lowest average wages, and bakeries and tortilla manufacturers paid the third lowest in both the United States and Indiana for those industries with available data (see **Figure 3**). Grain and oilseed milling paid the highest average annual wages, around $56,000 for both the state and nation.

**FIGURE 3: AVERAGE ANNUAL WAGES IN THE FOOD MANUFACTURING INDUSTRIES, 2006**




Source: Indiana Department of Workforce Development, using Bureau of Labor Statistics data

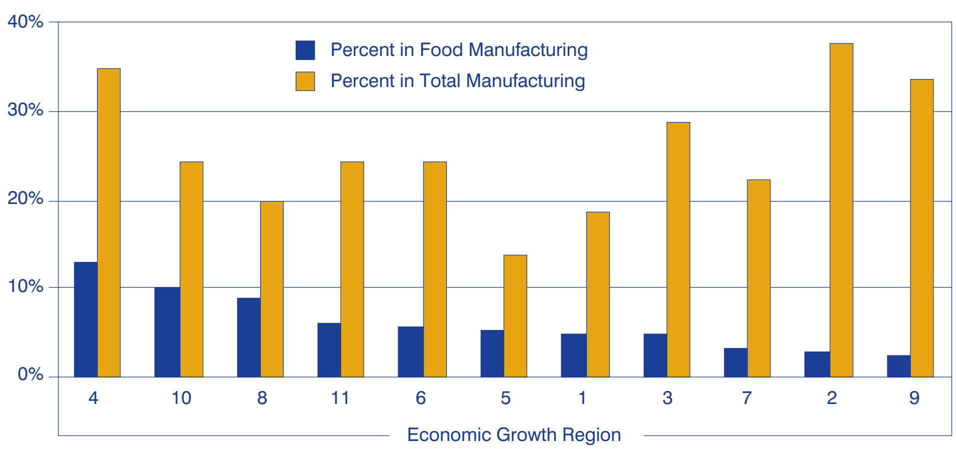
## Economic Growth Regions

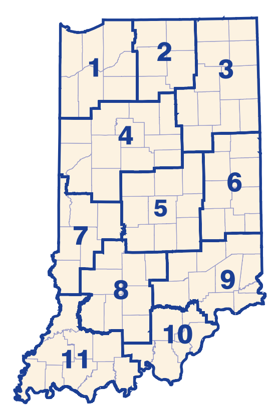
Indiana's Economic Growth Region (EGR) 4 had the highest percentage of manufacturing workers in the food manufacturing subsector (13 percent). That is pretty substantial, considering manufacturing employment made up 35 percent of total employment in the region (see **Figure 4**). The only other region with at least 10 percent of manufacturing employment in the food manufacturing subsector was EGR 10.

Since EGR 5 makes up about 30 percent of Indiana's total jobs, one might expect this region to lead the state in the raw number of food manufacturing employees. Surprisingly, however, EGR 4 had the highest employment numbers for the food manufacturing industry as well. However, EGR 5 is growing and had the largest numeric gain in jobs from 2001 to 2006, followed by EGR 11 and EGR 3, respectively (see **Figure 5**). Seven of the regions posted gains in employment during that time.

Since EGR 4 had the largest number of people employed in the food manufacturing industry, let's dig a little deeper into which companies are

**FIGURE 4: PERCENT OF EMPLOYMENT IN MANUFACTURING AND FOOD MANUFACTURING IN INDIANA'S ECONOMIC GROWTH REGIONS, 2006**




Source: Indiana Department of Workforce Development, using Bureau of Labor Statistics data

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*(continued from page 9...)*

actually located in the area. Doing so shows some well-known manufacturers in the region. The following businesses employ at least 100 workers in EGR 4:

- A.E. Staley Manufacturing in Lafayette manufactures syrup
- Armour Eckrich Meats in Peru manufactures meat products
- Frito-Lay in Frankfort manufactures potato chips
- Ice Cream Specialties in Lafayette manufactures ice cream and frozen desserts
- Pace Dairy in Crawfordsville manufactures dairy products
- Tyson Fresh Meats in Logansport manufactures meat products
- Zachary Confections in Frankfort manufactures candy and confectionary

## Conclusion

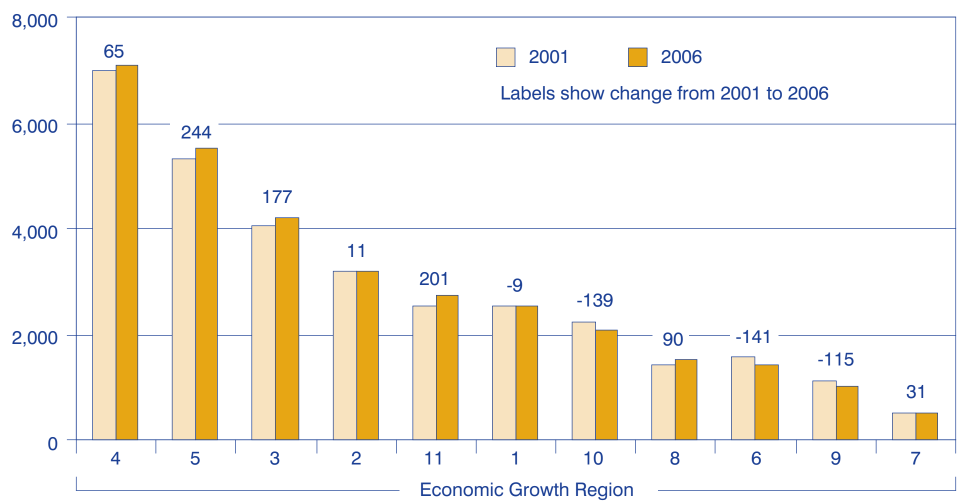
The food manufacturing subsector, while making up a relatively small portion of Indiana's overall employment, is a vital piece of Indiana's economic puzzle. The meat processing industry is the most prevalent in the state, followed by the bakeries and tortilla manufacturing industry. EGR 4 appears to be a leader in the food manufacturing subsector when compared to the other 10 economic growth regions, with the highest percentage of manufacturing jobs among the regions and the greatest number of jobs.

## Notes

1. Meat product manufacturing is officially termed animal slaughtering and processing.
2. Bureau of Labor Statistics, U.S. Department of Labor, *Career Guide to Industries, 2008–09 Edition*, Food Manufacturing, on the Internet at www.bls.gov/oco/cg/cgs011.htm (visited January 11, 2008).

*—Molly Manns, Associate Editor, Indiana Business Research Center, Kelley School of Business, Indiana University*

**FIGURE 5: Food Manufacturing Employment by Economic Growth Region, 2001 to 2006**




Source: Indiana Department of Workforce Development, using Bureau of Labor Statistics data

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